

5.
O B S E R V A T I O N S

UPON THE ENGAGEMENT AT PRESENT SUBSISTING

B E T W E E N

E A R L C O R N W A L L I S,

A N D

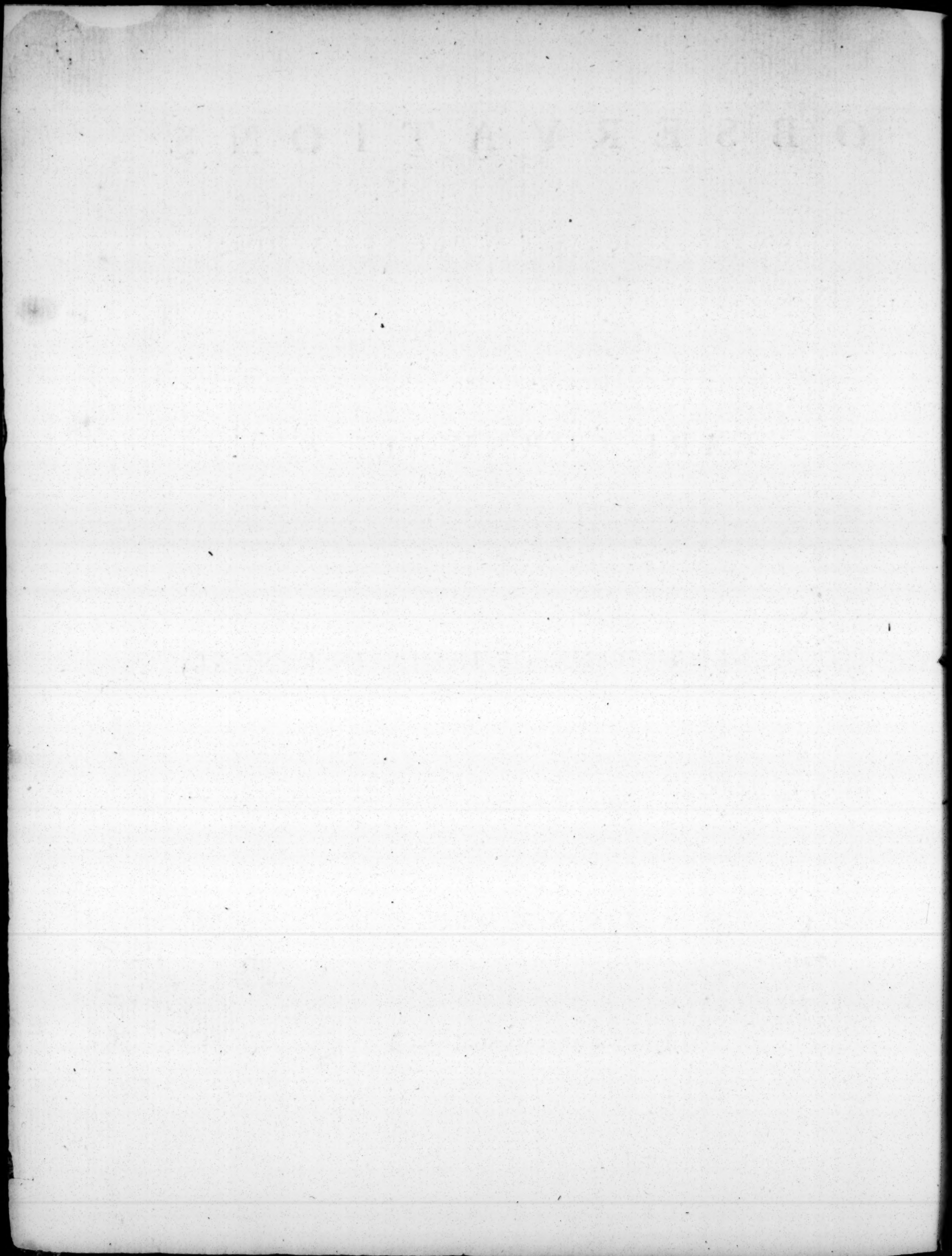
T H E G E N E R A L B A N K O F I N D I A, I N B E N G A L.

L O N D O N:

P R I N T E D B Y J. J A R V I S, W I L D - C O U R T, L I N C O L N ' S - I N N - F I E L D S.

M D C C L X X X V I I I.

[E N T E R E D A T S T A T I O N E R S ' H A L L.]



583HLL (5)

OBSERVATIONS, &c.

IT is well known to every one at all conversant with the affairs of India, that there has been, and particularly in more recent times, an alarming diminution in the circulation of current specie in that country, and especially of silver. This circumstance, conspiring with the large and growing accumulation of the public debt, has produced consequences injurious to the commerce, and dangerous to the credit of the country, and the East India Company. To obviate evils of such magnitude, an institution was projected, by a very able and intelligent merchant, (a foreigner), which was afterwards carried into effect, under the denomination of a General Bank.

The purposes of this Bank are described in the preamble to their articles of agreement. It was formed, as all societies of this kind necessarily must be, on the foundation of certain original radical rules, and fixed principles, which the parties reciprocally bound themselves to adhere to.—It opened on the first of June, 1786, under the conditions of their covenant*.

An undertaking of this kind cannot be expected to attain perfection at once:—The projectors had great and various difficul-

* Vide Appendix A, for a copy of this covenant.

ties to encounter.—Their views, however, were laudable, and their object important. The plan, and principle of this covenant, is not indeed free from many, and those solid objections; but experience would have gradually removed the imperfections of the one, and the good intentions of the subscribers would have excused the novelty, if not the illegality, of the other. This Bank had not been established many months when Lord Cornwallis arrived in India. The Directors, so soon forgetful of the intention and purposes of their establishment, almost immediately after his Lordship's arrival, sent an official communication to him, containing a proposition of connection between his Lordship's Government and the General Bank.

It is the object of these remarks, to discuss fairly, temperately, and with as much precision as the writer of them is competent to bring into the enquiry; in the first place, the expediency of this connection between the Bengal Government, and the General Bank, and the consequent reciprocity of advantage, so far as it can be at present ascertained; in the second, to investigate the principles on which the General Bank was itself established, and to compare them with the subsequent conduct of the Directors; and, in the third, to examine into the legality of an institution, formed as the General Bank is.

In speaking of the first of these points, I have no hesitation in admitting, that in any agreement, formed between Government, and the General Bank, an advantage was naturally and fairly to be expected by the latter. I trust, however, it will be also admitted, that such advantage should have been mutual; that it should have obtained in fair and equal proportions between the contracting parties; and above all, that the Bank should have looked for no benefit from any connection which did not second and promote the professed purposes of their institution, namely, the general convenience of the public—the alleviation

ation of the universal distress produced by the scarcity of money—the diminution of the heavy discount on the Company's paper—and, the consequent re-establishment of the commercial spirit of the country.

The Chairman, indeed, of the General Bank, in his letter to Lord Cornwallis*, accompanied with the propositions that were to form the basis of the new agreement, holds out an appearance of having a strict attention to the objects I have enumerated. He declares that the propositions are founded *on principles of mutual advantage to Lord Cornwallis's Government, and the Bank; and in hopes of giving fresh force, with durability, to general credit.* How far the result of the connection is likely to give countenance and support to these declarations, it shall be now my business to enquire.

The Bank proposed to lend the Government two lacks (20,000l.) of current rupees per week, for ten weeks, to commence from the first of March, 1787, and making altogether twenty lacks (200,000l.) This was the only offer made in Government's favour; in return for which, the General Bank expected, first, all cash appropriated to discharge the Company's paper, to be paid to them from the first of January, 1787; namely, two months previous to their first advance to Government of any part of the loan whatever:

Secondly, a promissory note, payable in three months, for all they lent, at eight per cent. per annum interest; *also a certificate, by way of collateral security, in the usual form:*

Thirdly, they expected a credit of ten lacks of sicca rupees; that is, eleven lacks and sixty thousand current rupees (116,000l.) upon the

* Vide Appendix B and C,

Company's treasury, they lodging security for the same ; and if Government had not so much in their treasury, the General Bank expected that no more of the Company's paper should be paid off till they (the Bank) were satisfied :

Fourthly, the General Bank expected their notes to be declared current through all the offices of Government in Calcutta.

These are the terms of the connection ; and may it not now be asked, where is the reciprocity of advantage ? It must strike the most superficial observer, that there is a variety of immediate and substantial interests secured to the Bank by this agreement ; but it will demand an uncommon degree of acuteness indeed, as well as unbounded extravagance of partiality, to point out in what part of the contract the boasted mutuality of advantage is to be found. All that is offered to Lord Cornwallis, is a loan of twenty lacks of current rupees (200,000l.) but even this offer, trifling as it is, and totally inadequate to furnish any essential supply to the occasional exigencies of so extensive a Government, is made upon worse terms than they could at any time obtain by the simple and established method of issuing so many more of their own certificates * : for the Government is to give notes of hand, payable in three months, which notes are renewable for the principal, but not to carry with them their dischargeable interest ; so that the Company are made to pay a compound interest, at the same time that they are creating a new species of paper currency ; and are falling into a useless deviation from a system of payment, better known and more advantageous ; namely, that of certificates, payable only by a priority of date.

* Certificates are the common paper currency in Bengal, similar to Exchequer Bills in England.

It is also to be recollected, that this loan of twenty lacks (200,000l.) is to be paid off as the certificates (which are whimsically considered and taken in the light of collateral security, as if a second obligation, from the same quarter, could strengthen the original security) become due in the rotation of their dates ; and after this discharge, there must cease to be even the most distant pretensions to advantage, on the part of Government, from the General Bank, as far as can be collected from the propositions, unless the latter should chuse to consider it as a benefit to Government, that they take the trouble of receiving the Company's cash from the treasury, for the payment of the certificates, although no expence is hereby saved to the Company ; and, although when this business was executed at the public office of the Company, there was both more dispatch and more regularity*.

Having shewn that the advantages practicable to be obtained by Government from this agreement were originally inconsiderable, and on the contingency of the discharge of the twenty lacks (200,000l.) ultimately nothing ; let us examine, for a moment, what are the possible and expected benefits that may result from it to the General Bank. And, in considering this part of the subject, it may not be amiss to recur again to the declaration of the Directors, *that the propositions were formed upon principles of mutual advantage to the Government and the Bank!!!*

In the first place then, the General Bank expect and require, that all cash, appropriated to the discharge of the Company's certificates, shall in future pass through their hands ; and this privilege they claim

* A reference to the account current between the Government and General Bank will shew, that the latter has been exceedingly incorrect :—it should be in the India House.

for two months previous to the having made one advance to Government of a single rupee. In these two months it appears, by the accounts published in the Bengal Gazette, that they received of the Company's cash, for the above purpose, *about fifty lacks of current rupees*, (500,000l.) that is to say, considerably more than twice the amount of their original capital; which they had free opportunity to convert into notes of their own; and to encourage by this means a circulation of their paper to an extent certainly large, though difficult to be ascertained.

We are secondly to consider what were the securities the General Bank demanded of Government for the twenty lacks of rupees (200,000l.) originally advanced by them. They require, in the first instance, twenty lacks of notes, payable in three months, with interest at the rate of 8 per cent. per annum; and in the next, twenty lacks of certificates, *payable in the usual form*; that is to say, by priority of date.

The notes payable in three months, are a direct breach of the compact of credit between the public in Bengal, and the Government; where, a very short time before, an official declaration had been made, that all paper should be paid by priority of date. If it should be answered to this, that these notes were not to be paid, but were renewable until the certificates came in rotation, and then the debt to be discharged; let it be asked, in that case, for what purpose were these notes given? Why were they required? Was it for the mere purpose of intricacy and confusion? I will not suppose, of men like the present Directors, gentlemen of unquestionable character and integrity, that it was with a view to form a double demand upon the Government; but I have a right to state it as a possible danger, if this Bank should continue to exist, that in the changes and successions of Directors, persons might make their way into that situation sufficiently
unprincipled

unprincipled to circulate this paper, and thereby cause the duplicate claim to be brought forward ; a circumstance which would embarrass Government exceedingly, as they would feel they ought not to pay the money, and would be conscious they were legally amenable, by the repetition of a distinct and separate security, unless something to the contrary should appear in the tenor of the certificates, which is not probable, since they are *in the usual form*. At all events, where much evil can be proved, obscurity and perplexity must be admitted to be very natural grounds for an increase of suspicion. It is curious also, that this collateral security, as it is called, turns out, upon examination, to be the real obligation by which the discharge of the loan is to be determined. We are indeed told, that the interest is paid in conformity to the notes ; and that it is of course settled every three months. According to this arrangement then, the fact will prove to be this—that the Subscribers to the General Bank, those liberal and disinterested supporters of the declining credit of the Company, will receive in the course of the year, more interest from Government than they have ever paid to any other creditor !

The third requisition, claimed by the General Bank, goes to the point of a right to demand, *at any time*, a loan from Government of ten lacks of sicca rupees, (116,000l.) or eleven lacks and sixty thousand current rupees ; a sum considerably exceeding one half of the original amount they advanced to Government, and which puts it in the power of the Bank to reduce their loan whenever they please to current rupees, eight lacks and forty thousand, (84,000l.). There is a possible consequence attached to this part of the agreement, which, as involving evils of the most alarming magnitude, as well to the political, as the commercial and financial interests of the East India Company, cannot be here passed over without an observation. Suppose only for a moment, that the direction of the General Bank was to fall into the hands

hands of a set of men, such as sometimes are found in every society: men high in station, depressed in fortune; more anxious to obtain wealth, than regardful of the means by which it is to be acquired; with connections sufficient to give them an influence in Calcutta; with principles lax enough to be little careful of the ends to which such influence might be directed; men, in short, intriguing, speculative, and avaricious; suppose such men to have the controul of this Bank, what mischiefs may they not bring upon the Company? May they not (as it is also agreed by the clause in question, "That if the balance in the treasury is not equal to the sum the General Bank may want, the Bank may insist that Government shall stop the appropriation of any funds immediately, or next in course, of receipt, until the sum applied for be made good;") may they not, I say, contrive by timing their application with subtilty and address, to interrupt the usual discharge of certificates for three or four weeks or more, to endanger thereby the Company's credit, at a period when it may be highly important to preserve it with an exact and jealous punctuality; and even to indicate the impoverished state of the Company's treasury to all the world, at moments when the political welfare, or security of the settlement, might render such a discovery alarming to its most essential interests? These men would also, in such case, have the rate of discount on the Company's paper entirely at their disposal; and the property of individuals would remain for a time totally at their mercy.

It may not be improper here to remark, that the General Bank have lately allowed their own officers* to act in the capacity of sworn

* Copy of the advertisement of the Cashier, Secretary, second Cashier, and Accountant of the General Bank of India.—Messieurs M. C. Horsely, T. Gowan, J. Pollard, and T. Cotton, inform their friends and the public, that (having duly qualified,) they now
act

sworn brokers, for the purchase and sale of Company's paper and other securities, in direct opposition to the known usage of the Bank of England, whose regulations in this, and indeed in every respect, they ought to have imitated. It would appear invidious towards individuals, if I were to argue this point through the various openings to partiality, injustice, and danger to which it leads. I shall, therefore, leave the consideration of it where I think I may rely it will not sleep; namely, in the minds of all men conversant in money speculations, and with those of India in particular.

Fourthly, it is required from the commencement of this agreement, that the notes of the General Bank should be receivable in all public offices of the East India Company; and it was accordingly ordered, that their notes should be taken in payment for any sum, and issued in discharge of any payments*. By this means it is evident, that an ability was created in the General Bank, whatever they might have possessed before, to perform their part of the obligation within the

act as sworn brokers, in the purchase and sale of Company's paper, of every description; and that all such transactions are perfectly independent of their respective situations in the General Bank of India.

This declaration is become the more necessary, from some gentlemen having erroneously conceived, in former instances, the usual brokerage charged by the officers "as a charge made by the Bank."

The Bank has no concern whatsoever therein; and to remove every possible idea of any interference with their official departments, they have taken an office over the shop of Messieurs Ord and Knox, which will be open on, and after Monday next, the 9th instant, from eight o'clock in the morning till two P. M. where the commands of such gentlemen, as shall be pleased to honour them with their confidence and support, will meet with every possible attention.

Calcutta, July 5, 1787.

* Vide Appendix, D.

short space of two months, while it was yet to be ascertained what sort of operation such a sudden and immense issue of notes might produce upon the credit, and by consequence, upon the commerce of the settlement.

Having now stated those effects of the agreement, which result immediately from the articles stipulated on each side, I shall revert, before I proceed to other objections, to some of the circumstances which attended the original formation of this connexion.

When the proposal from the General Bank became public in Calcutta, an application was made by the proprietors of the Bengal Bank* to Lord Cornwallis, expressing their hopes that his Lordship would permit them to be acquainted with the terms of the offer; and that he would give them leave to address him upon the subject, if it appeared likely to affect their interests. His Lordship very readily ordered the Bengal Bank to be furnished with copies of all the papers; and upon examination of them, the proprietors saw sufficient grounds to represent to him‡ that they might be essentially injured by his Lordship's acquiescence in such a proposal, and requested to be admitted to an audience to communicate their reasons personally to his Lordship, if he should wish to hear them. His Lordship replied† to this, that the proposals were already accepted; and that he could see little probability of the Board's altering their resolution. After this intimation, the proprietors of the Bengal Bank felt it as a disrespect to Lord Cornwallis to urge

* The Bengal Bank is the only private European Bank in Bengal. The following gentlemen, at different times, have been partners in it, and the four last are the present proprietors; J. P. Auriol; T. T. Metcalfe; Ed. Hay; Ed. Whitwell; Rd. Johnson; J. Rider; Th. Henchman; F. Mure; Ben. Mee.

‡ Vide Appendix, E. † Vide Appendix, F.

their objections further ; although they could not but feel at the same time the absolute inutility of communicating the papers and proposals to their inspection, when his Lordship's final decision had been already made, and his unshaken determination formed upon the subject. They had weighty considerations to have submitted to his judgment: his Lordship's character gave them sanguine hope these considerations would have been attended to ; at least that they would have been heard.

They entertained no doubt, however, that the propositions, as his Lordship declares in his answer, *were discussed upon the most general principles* ; yet it is well known that they met with the approbation of very few, if any, of the experienced merchants in Calcutta. By men of that description it would have been naturally asked, How can this Bank, (established only a few months ago) if under the most flourishing circumstances that can be possibly presumed, be able to make a single loan almost equal to the whole amount of their capital ? And how are they to justify the loan of so extraordinary a sum, upon terms, and for a length of time positively prohibited by the 17th clause of their General Articles, which says, “ The Bank will lend, at their discretion, “ upon *pledges* and *mortgages*, but never for a time exceeding four “ months ;” evidently, and by the strongest and most irresistible implication, intending to establish this principle,—that *without* pledges and mortgages they were not at their *discretion* to lend ; and yet, by their engagement with Lord Cornwallis, they are clearly to wait, without *pledge or mortgage*, for the re-payment of their loan to him, until the certificates come round in rotation, which could not be in less than twelve months ; and might extend to eighteen, or more.

The proprietors also might naturally have expected that they would have been called upon to give their sanction to an engagement of such

vast extent, especially as the twentieth Article of the General Agreement declares, " That no alteration shall be made in the above Articles, " but by a general meeting to be called for that purpose;" and the sixth Article declares, " That the Directors, Cashier, Secretary, and " Accountant, shall be sworn to a faithful discharge of their trust, before any one of the Judges;" which oath, we are to conclude, they have all taken. And where were they to look for the nature of this trust, but in these articles? which specifically and expressly precluded them from making such a loan as that granted to the Government; inasmuch as the period limited by the articles for all loans, without distinction or exception, is four months, and no longer, as has been above stated. What degree of censure may arise in some minds from this error in the management of a great trust, solemnly assumed by the Directors, under the sacred authority of an oath, it is neither my wish nor business to enquire; but certain it is, in point of fact, that no General Court was called, so as to have effected a change in the articles, which might have absolved the Directors from their submission to the first agreement; and a loan of nearly the whole capital of the General Bank was voted and decided upon by the Directors themselves, without the knowledge, and, of course, without the consent of the subscribers.

There was another consideration also, which should have been submitted to the most serious reflexion of Lord Cornwallis, and ought in a particular degree to have pressed upon the attention of the Directors, inasmuch as it went to a complete violation of the radical principle of their institution, which was this----The General Bank was professedly established " to alleviate the distresses occasioned by the general scarcity " of money;" the present occasion, therefore, naturally demanded a minute enquiry into the probable effects of this new engagement in that respect.

By

By the twelfth article of their agreement, the General Bank is bound always to have, in specie, in their treasury, " one-third at least of their " capital, including its extension by the issue of notes." It certainly does not presume any thing beyond the fact, but on the contrary is much within it, when we suppose the amount of their notes in circulation, as equal to the capital; and we are therefore justified in this conclusion, that as by the above recited article, the third part of forty lacks of ficca rupees (464,000l.) was constantly to reside, in specie, in their treasury, that the General Bank had taken out of circulation, and retained in their hands, at the lowest computation, current rupees, fifteen lacks forty-six thousand, and upwards (154,600l.) of that specie, which was before so scarce.---Was this no matter for discussion before the offer was accepted? It surely ought to have been suggested to Lord Cornwallis, that every sum in specie, drawn out of circulation, would enhance the value both of gold and silver: and let the cash of the General Bank be either in one or the other, it must have had no small effect in raising silver to the extravagant price it has lately borne; which has been sometimes, it is said, at four and five per cent. and, in general, two and an half, and three per cent. premium: and what is the ultimate operation of this, but a tax, to the same amount, upon all the manufactures of Bengal? for no paper will pass among the weavers, as every manufacturing town requires advances in silver, and many of them particular kinds of rupees, such as the prescriptive usage of the district has made alone acceptable to them. The Company therefore will feel the effects of this arrangement in their capacity of merchants; and if they had obtained any advantage in the first instance, which I think I have proved they have not, would, perhaps, at least, have found that they paid dearly for it when they come to purchase their investments.

Notwithstanding these difficulties, Lord Cornwallis, actuated, no doubt, as he is in every instance, by honest intentions, but perhaps
hardly

hardly sufficiently informed upon the subject, looked upon the offer as fair and beneficial, and concluded the bargain; by which, whether it is to be considered as an objection or no, it is not asserting too much to say, he put one hundred and sixty thousand current rupees (16,000l.) per annum, clear profit, into the treasury of the General Bank. No one will question this, when he considers with what facility the whole loan of the twenty lacks (200,000l.) to Government might be made in notes of the General Bank; and of course, that the whole interest would become a clear gain. In short, the East India Company, by this agreement, evidently became pledged to pay eight per cent. per annum *for their own money*; or, which is precisely the same thing, for money raised by a circulation of their own creation.

Might it not have been naturally expected, that prior to the foundation of an engagement of so much importance, and so vast an extent, in which every man's property was, to a less or greater degree, some way affected, Government should have held it right to have consulted with men of weight and experience—with the merchants, or monied men of the settlement? I have reason to believe that no such consultations were held upon the subject. Might it not have been equally expected, that subsequent to the conclusion of such an agreement, the terms of the engagement would have been made public? The fact is, however, that neither the Government, who are the political guardians of the public interest, nor the Bank, who had established their association upon the professed ground of public convenience, have ever thought proper to communicate the conditions of their connection to the settlement.

I have hitherto argued this subject merely with a view to ascertain the balance of mutual benefit likely to result from it to the contracting parties. There are, however, many other objections to be adduced against such an agreement, of sufficient cogency and weight to

to have deterred Lord Cornwallis from acceding to it, if they had been before him.

In the first place, the exportation of specie from Bengal, has long been a ground of serious and general complaint. The extensive and fanc-tioned credit now given to the notes of the General Bank, will render the immediate want * of specie less necessary in the conduct and intercourse of commerce, and consequently will facilitate the export of it, as well as the partial concealment of it by individuals, and its more wholesale collection in the treasury of the General Bank. These effects, indeed, have been already felt—they have been, even at so early a period of the connection, a subject of uneasiness and enquiry. Whilst Lord Cornwallis was absent from Calcutta, a committee had been appointed to examine into, and report to Government, the causes of the alarming scarcity of silver ; and the report must now be in the India House. But what will be the astonishment of the public ; with what confidence will they look for an efficacious redress of the grievance complained of, when they are informed, that this † committee, constituted for such an object, is composed of a majority of the Directors of this very General Bank.

* Vide account in Appendix, marked G, which shews, that since the agreement with the General Bank, the Bengal Bank has received from Government upwards of eight lacks and an half of sicca rupees, which were paid as follows :

<i>In silver rupees only</i>	- -	331
<i>In gold</i>	- - - - -	54,128
<i>In General Bank Notes</i>		8,11,786

† The following gentlemen were the Members of the Committee appointed to enquire into the scarcity of silver in Calcutta :

Herbert Harris, Esq. Chairman, late Deputy Chairman of the General Bank, and out by rotation.

Richard Johnson, Esq. Chairman of the General Bank.

Anthony Lambert, Esq. Deputy do. do.

William Harding, Esq. Director of do.

John Burgh, Esq.

Ch. Cockerel, Esq.

} Merchants of Calcutta.

It

It is an unprecedented circumstance also, in the conduct of an engagement of this description, that the Directors* and Proprietors of the General Bank, are the collectors, treasurers, and paymasters in those offices where the receipts of the public money are made, and the disbursements issued. In the one character, therefore, they have an interest in the issue of their paper; and in the other, a complete opportunity of facilitating its extent. The effect of this double employment has been abundantly proved, as it is well known, that the payments from the Company's treasuries in Bengal, have not lately amounted to ten per cent. in specie; and it is, of course, to be concluded, that the same proportion holds in their receipts:—the rest is paid in the notes of the General Bank.

Let the Court of East India Directors examine into this matter—The facts are upon their records, and the evil is not unworthy their most minute and serious consideration. In case of sudden emergency—in case of war, and they want to remit either to Madras or Bombay, where is the treasure to be found?

* List of the Directors of the General Bank of India, with the offices they hold in the East India Company's service, in Bengal:—

Richard Johnson, Esq. Chairman, a member of the Committee of Revenue, and Treasurer and Accomptant General of the revenue department.

Anthony Lambert, Esq. Deputy Chairman.

William Barton, Esq.

William Cooper, Esq. Member of the Committee of Revenue.

William Harding, Esq. Civil Paymaster, Deputy Military Paymaster General, and Paymaster of Military Extraordinaries.

William Farquharson, Esq. a Military Paymaster.

Charles Grant, Esq. Member of the Board of Trade, and the Company's Export Warehouse-keeper.

T. H. Davies, Esq. Advocate General.

J. E. Harrington, Esq. Deputy to the Treasurer, and Accountant General of the Revenue Department.

But

But the most alarming view in which this connection can present itself to the attention of the Company, is this:—If by any original imperfection in the plan on which the General Bank is founded; if by any indiscreet boldness of speculation; by any possible neglect, or incorrectness in the conduct of it; or by any of those unforeseen misfortunes to which such undertakings are constantly exposed, this institution should fail of success, and become insolvent, in what situation would the Company stand with respect to the claims which might be outstanding against it? They have given, through the medium of their first officer, a regular sanction to its notes; they have united the authority of Government with the credit of individuals; they have ordered all their dependencies to receive these bills, as the legitimate currency of the Company;—if then this Bank should fail, with what propriety, justice, or honour could the Company say to the holders of these notes of the General Bank, and in particular to the natives of India, that they (the Government) would not be responsible for the payment of them? The holders of the bills would reply to the Company, in such case, it was upon the strength of your authority; it was in obedience to your orders; it was in full reliance on your plighted faith, that we took them, and now you refer us for payment to a set of individuals that we never should have trusted to any thing like the same extent, but for the respect we had to your interference, and the confidence which we reposed in your justice. Let me ask the Company at home, or the Governor General in India, whether they would not feel the effect and propriety of such a remonstrance, and admit, that the holders of these bills possessed an indispensable claim upon their integrity for payment. If so, under what infinitely precarious and alarming circumstances do the Company stand, with respect to this agreement.—They may be called upon at a moment for the payment of immense sums, for which they have made themselves as it were, a sort of collateral security—their credit may be shaken in every quarter of the

D

settlement,

settlement, and their investments, at least partially, impeded, whenever that event should happen, which none will deny to be possible, though all would infinitely lament, the insolvency of the General Bank.

Nothing can be more clear, as a general principle, than that a Government should, in all cases, be eminently cautious how it unites its responsibility with the uncertain and immature plans of a new society. If both want assistance, neither, in such a situation, will be able either to afford or receive it with effect and safety: and the rash enterprizes, or intemperate speculation of one house, may, under such circumstances, give a fatal blow to the general credit of a great empire. Such was the General Bank when Lord Cornwallis took it, as it were, into an inferior partnership with the Company. It was of recent origin—was not settled into a durable form---had not acquired the sanction of long respect—and had its way to make, both as to the extent of its credit, and the expediency of its institution. The Directors and Subscribers, many of whom are men of unquestionable integrity and ability, for the most part held offices in the service of the Company. They had no time to spare from the execution of their respective duties, to devote to the necessary calls of a new and difficult undertaking. An infant scheme of this sort requires to be cherished by constant attention, and to be matured by progressive improvements. The Directors had not leisure for the one, and time enough had not elapsed for the other, when the connection between the Bank and Government was projected and agreed upon. The period when the connection was formed, was no more favourable to its success, than the men were calculated for a due accomplishment of its objects.

Lord Cornwallis might have been led (and would have been influenced had it been represented to him) by past experience in Europe, not to have been very forward in joining the credit of his Government
to

to that of a new society. The fate of the General Bank in France—the mischiefs which it brought upon individuals—and the shake which it communicated to the credit of the State, might have operated upon his mind as an useful example, and excited in him a strong and serious conviction of the necessity, in such affairs, for much and deep consideration, for minute enquiry, and refined circumspection. The General Bank of the neighbouring kingdom was grounded on principles strongly resembling that of which I have been here speaking in India.—Like that, it solicited the countenance and support of Government: its notes were made payable in all the public offices of the country. The consequence was, that this Bank, which had been, and might have continued an equal convenience to the State, and benefit to itself, by an ill-judged extension of its paper, under the sanction of Government, became a source of ruin to thousands, and of discredit to the kingdom. History furnishes other instances not less applicable, though somewhat more recent, (even the present hour adds another most instructive lesson), and all tending to the same point, but which the researches of the intelligent reader will make it unnecessary for me to quote here.

I cannot conclude this part of my observations, without saying a few words concerning the controul which, by the fifth proposition, the Government of Bengal is allowed to place over the General Bank.

It is there stated, “ that the Accountant General, or *any other officer*, “ is to have access, whenever desired, to the books of the General Bank, “ being bound by oath to secrecy in every respect, excepting *information* “ *to Government*.”—Mr. Larkins has been nominated to this controul.—Now I beg leave to suggest, that it is utterly impossible any effectual cheque can be applied in this case; and that Mr. Larkins can least of all be so, who is the Accountant General to the Company; who has the public books of the settlement under his immediate charge; who is the Con-

trouler of the accounts of all disbursements ; who has all the statements of the resources and expences of government to prepare ; and, who therefore, it will be readily allowed, indefatigable as he is, has already as much upon his hands as it is competent for the industry of one man to perform. How far such a controul can be adequately executed under such circumstances, and after such an appointment, the reader will judge for himself.

But admitting the execution of it to be in the highest degree correct and perfect, I doubt whether the regulations in question will in that view appear less objectionable. A power * is given to the inspector, by this part of the covenant, to take an accurate view of all the transactions of every merchant who discounts, or keeps an account at the Bank ; and to form a judgment of the circumstances and connections of all the individuals who have dealings with it, under an injunction of solemn secrecy, *excepting to the Government*. When the existence of this power is coupled with the recollection of the uses to which it may be devoted, it is evident to common sense, that as it may be made the medium to discovery and injury, so it will necessarily become the source

* The General Bank, apprehensive of bad consequences from this part of the agreement, soon afterwards issued the following advertisement, which is left to the judgment of the reader :—

General Bank of India.—Whereas it has been represented to the Directors of the General Bank of India, that apprehensions have been entertained that the officers of Government admitted to the inspection of their books, in conformity to the article of the propositions submitted to the Right Honourable the Governor General in Council, and acquiesced in by him, may also become acquainted with the state of the accounts of individuals, who may either keep cash in the Bank, or take up loans of them, *the public are hereby informed, that the officers of the General Bank are not allowed to submit any part of the books in their charge, which contain the accounts of individuals, to the inspection of the officers of Government.*

By order of the Directors,

M. C. Horfeley, Secretary.

25th January, 1787.

of

to that of a new society. The fate of the General Bank in France—the mischiefs which it brought upon individuals—and the shake which it communicated to the credit of the State, might have operated upon his mind as an useful example, and excited in him a strong and serious conviction of the necessity, in such affairs, for much and deep consideration, for minute enquiry, and refined circumspection. The General Bank of the neighbouring kingdom was grounded on principles strongly resembling that of which I have been here speaking in India.—Like that, it solicited the countenance and support of Government : its notes were made payable in all the public offices of the country. The consequence was, that this Bank, which had been, and might have continued an equal convenience to the State, and benefit to itself, by an ill-judged extension of its paper, under the sanction of Government, became a source of ruin to thousands, and of discredit to the kingdom. History furnishes other instances not less applicable, though somewhat more recent, (even the present hour adds another most instructive lesson), and all tending to the same point, but which the researches of the intelligent reader will make it unnecessary for me to quote here.

I cannot conclude this part of my observations, without saying a few words concerning the controul which, by the fifth proposition, the Government of Bengal is allowed to place over the General Bank.

It is there stated, “ that the Accountant General, or *any other officer,* “ is to have access, whenever desired, to the books of the General Bank, “ being bound by oath to secrecy in every respect, excepting *information* “ *to Government.*”—Mr. Larkins has been nominated to this controul.—Now I beg leave to suggest, that it is utterly impossible any effectual cheque can be applied in this case ; and that Mr. Larkins can least of all be so, who is the Accountant General to the Company ; who has the public books of the settlement under his immediate charge ; who is the Con-

trouler of the accounts of all disbursements ; who has all the statements of the resources and expences of government to prepare ; and, who therefore, it will be readily allowed, indefatigable as he is, has already as much upon his hands as it is competent for the industry of one man to perform. How far such a controul can be adequately executed under such circumstances, and after such an appointment, the reader will judge for himself.

But admitting the execution of it to be in the highest degree correct and perfect, I doubt whether the regulations in question will in that view appear less objectionable. A power * is given to the inspector, by this part of the covenant, to take an accurate view of all the transactions of every merchant who discounts, or keeps an account at the Bank ; and to form a judgment of the circumstances and connections of all the individuals who have dealings with it, under an injunction of solemn secrecy, *excepting to the Government*. When the existence of this power is coupled with the recollection of the uses to which it may be devoted, it is evident to common sense, that as it may be made the medium to discovery and injury, so it will necessarily become the source

* The General Bank, apprehensive of bad consequences from this part of the agreement, soon afterwards issued the following advertisement, which is left to the judgment of the reader :—

General Bank of India.—Whereas it has been represented to the Directors of the General Bank of India, that apprehensions have been entertained that the officers of Government admitted to the inspection of their books, in conformity to the article of the propositions submitted to the Right Honourable the Governor General in Council, and acquiesced in by him, may also become acquainted with the state of the accounts of individuals, who may either keep cash in the Bank, or take up loans of them, *the public are hereby informed, that the officers of the General Bank are not allowed to submit any part of the books in their charge, which contain the accounts of individuals, to the inspection of the officers of Government.*

25th January, 1787.

By order of the Directors,

M. C. Horseley, Secretary.

of

of suspicion and apprehension : that as Government may convert it into an instrument of oppression, individuals will consider it as a subject of alarm—and that as it leads to a breach of implied confidence, it must prove as hateful to the feelings of Englishmen, as it is obviously injurious to the most essential interests of commerce.

I come now to the second part of my general arrangement, which was, “ to investigate the principles on which the General Bank was itself established, and to compare them with the subsequent conduct of the Directors.” Of this point, as well as the remaining one, namely, that “ of examining into the legality of an institution constituted as the General Bank is,” I shall speak less at large, because, though not immaterial in themselves, yet they are less essential to the object of the present enquiry, which is principally to demonstrate the impolicy and danger of the subsisting connection between this Bank and the East India Company’s government in Bengal.

That there was something eminently disingenuous and unhand-
some to the public in the principles of this institution, (to speak as
forbearingly upon the subject as the decorum of language, which I
always wish to hold to the Directors and Subscribers, will enable me,) as
well as weakly fallacious to each other, will appear very decisively from
the terms and substance of the eighth Article of their agreement. It is
there said, “ that the Subscribers shall be liable to no risk or claim be-
yond the amount of their subscriptions.” It implies a degree of ig-
norance in the laws and commercial regulations of Great Britain,
which, without proof, no one would have imputed to gentlemen so si-
tuated in life as these Directors and Subscribers are, to suppose for a
moment, that it was practicable for them so to limit and narrow
their responsibility to the holders of their bills as they have here ex-
pressed a desire to do. It unhappily affords room for the world to in-
fer,

fer; though it would be ~~unmerited~~, something much worse than ignorance, that they should have wished to engage the confidence of the public; that they should have had an inclination to induce their fellow citizens, by the weight and influence of respectable names, to repose a deep trust in them; and, that then, upon the possible contingency of their failure, they were not to be amenable to those who had so trusted them in the bulk or whole of their property; but that they should stipulate for safety to themselves in the event of their injuring others, and provide a security for the enjoyment of their own wealth, even if their ill conduct, which is barely possible, or their ill fortune, which is more so, had brought complete ruin upon their neighbours. Luckily for those who have trusted them, the law, which has more wisdom in this case, than the projectors may be thought to have had candour or fairness, defeats totally the object of such a stipulation.

Upon so flimsy a basis, and with such unveiled fallacy, are the articles of institution of the General Bank founded, that every prudent arrangement, every cautious stipulation set forth, (except only where prudence and caution are to operate in favour of the subscribers in limiting their responsibility,) is liable to be annulled, altered, changed, or revoked, as a majority of the subscribers or share-holders, consisting of two-thirds of *those resident in Calcutta*, may think proper. What then is the confidence the public is to have in this Bank? None beyond their personal confidence in the share-holders for the time being; and when it is considered, that the shares are ever transferable, even that slender security exists not beyond the present moment. When individuals, entering upon a large and valuable concern, become tenacious of their own responsibility, and even limit it to their successors, (the subsequent share-holders, which is the case in the present institution,) the public ought justly to share in that alarm, which,
it

it is evident, the original founders of the General Bank were under at the time of giving effect to their own projections.

That there is something as crude and ill-considered in this agreement, as I have shewn there is negligence of exact justice, will appear from a comparison between the second and fifth Articles. The former of which states, that the subscription shall be open to all, without distinction of country or religion ;—the latter, that the *nine* Directors shall be composed of British born subjects, and *of those only*. If then in this *open* subscription, there should happen not to be *nine* British born subjects, resident in Calcutta, the society determines for want of direction; and it is left to accident to put a period to an institution on which the interest of individuals, and now the credit of the whole of British India may so intimately depend.

That the subsequent conduct of the Directors has been marked by a proud contempt of the spirit of their original covenant, is demonstrable from this, that, by their seventeenth Article, “ they agree to lend “ at their discretion, *upon pledges and mortgages approved*, but never for “ a term exceeding *four months* ;” and yet they have lent pretty nearly *the whole of their capital* to Government, *without pledge or mortgage*, and for upwards of *twelve months*.

I forbear, in consequence of the length to which these remarks have already extended, to pursue my comments further upon this part of my subject. Those who delight in incongruity and contradiction, in specimens of improper haste, and symptoms of improper fallacy, will find gratification in a more minute review of these Articles.

With respect to the third and last object of this enquiry, namely, the *illegality* of an institution formed as the General Bank is, I will
content

content myself simply with a reference to the high legal* authority annexed to these observations in the Appendix, and an extract of the eighteenth Section of the sixth of George I. from the Statute Book, also annexed in the Appendix†, which will decide the most uninformed as to this part of the present investigation. I will only add, that opinions have been given by two very respectable gentlemen of the law in Calcutta; the one, Mr. Davies, the Advocate General of the Company, and a Director of this Bank; the second, Mr. Dunkin, the senior Council in the place; both intended, though not‡ without some apparent hesitation on the part of Mr. Davies, to support an idea with respect to this institution, that the fortunes of the subscribers could not be involved beyond the sum originally advanced. I would ask these gentlemen, upon this part of the argument, if they seriously conceive, that any body of men, co-operating together, can be suffered to adopt a set of self-formed regulations, the effect and tendency of which is to resist and overthrow the general law of the land? If not, and I presume they will concur with me upon that point, it will be for these gentlemen to explain, how the subscribers to the General Bank, in case of a failure, are to be secure against a commission of bankruptcy, and all the consequences of that proceeding, whenever, by their return to this country, they become amenable to the bankrupt laws. As partners in one common firm, the law would make them clearly responsible to the last shilling of their property, collectively, and severally, for the whole of the claims outstanding against them in their character of a Company. But let the opinions which I have procured in England, be opposed to those which were given in Calcutta§, and I do not fear that they will be deemed inferior, either in point of authority or validity.

* Vide Appendix, I. † Appendix, H. ‡ Appendix, K. § Appendix, I, and K.

It remains now for the reader to determine, how far he perceives, in any view of the transaction I have described, the appearance of those properties which should have recommended it to the adoption of a judicious and politic Government. If he discovers a fair distribution of equitable reciprocity, of well balanced advantage on both sides, in the principle of the connection; if he perceives cautious deliberation and matured enquiry in the execution of it, he will not withhold the credit due at once to the wisdom and the circumspection of the negociation. If, on the other hand, he should see great benefits prodigally dispensed, without even a remote possibility of return; if he should see immediate advantages received by the General Bank, for which the Government can look for nothing in future, but growing responsibility and accumulating risque, he may not perhaps hesitate to think, with the writer of these remarks, that the Governor General of India will sustain his pretension to the distinguished and highly merited estimation he possesses in society, by an early dissolution of an agreement formed in misconception, concluded in precipitation, and tending to nothing, however well intended, as no doubt it was, but to the immediate diminution of specie, and the ultimate embarrassment of the settlement and the state.

Note. *It is a fact deserving attention, that from September 1785, to September 1786, there was received at the Khalsa, or Exchequer, in Bengal, only sicca rupees 6,50,000, (75,400l.) in notes; but that between September 1786, and September 1787, the amount received in notes was upwards of sicca rupees 64,00,000, (742,400l.) although the engagement between Lord Cornwallis and the General Bank did not take place till the beginning of the year 1787.*

A P P E N D I X.

(A.)

ARTICLES OF AGREEMENT indented, made, concluded, and agreed upon, this First Day of May, One Thousand Seven Hundred and Eighty-six, between the several Persons who have hereunto subscribed their Names, and affixed their Seals.

WHEREAS it has been some time in contemplation by several of the persons whose names and seals are hereunto subscribed and set, to unite together in the establishment of a Bank throughout India, under the name of the General Bank of India, for the purpose of general convenience, and in some measure to alleviate the distresses occasioned by the general scarcity of money, which India has long laboured under, and which has operated to the great disadvantage of the public and of individuals; and in the hope of lowering the heavy discount which the Treasury Orders, and other paper issued by and on account of the English East India Company in their possessions in the East Indies, have long borne, to the great loss of individuals, and operating almost to an annihilation of all trade and commerce throughout British India,

And

And whereas several public meetings have been held in the city of Calcutta, in order to settle some general plan on which such Bank should be formed, at one of which meetings, holden on the eighth day of March, one thousand seven hundred and eighty-six, Messrs. Richard Johnson, Henry Vansittart, Anthony Lambert, the Honourable Lockhart Gordon, William Harding, and William Luard, were, by the persons then present, chosen the temporary managers, to draw out a plan to be submitted to the intended Subscribers to the said Bank.

And whereas the said managers, at a general meeting held at Calcutta, on the twenty-first day of April last, produced, for the approbation of the said intended Subscribers, a plan on which the said General Bank of India should be conducted; and which plan, consisting of twenty-three articles, herinafter set forth, was agreed to be adopted by the Subscribers then present.

Now, witness these presents, that in pursuance of the said plan, and for carrying the same into execution, and for the good opinion, they, the said persons, parties to and executing these presents, have for each other, and for divers good causes and considerations them thereunto moving, the said several parties to, and executing these presents, have, and each and every of them hath mutually and reciprocally covenanted, concluded, and agreed to, and with each other, by these presents, do, and each and every of them doth mutually covenant, conclude, and agree to and with each other, to enter into a joint concern, and to be and continue a society, under the name and firm of the General Bank of India, for, and during the term of five years, to commence on the day of the date hereof, according to the terms and articles agreed on at the said general meeting, and hereinafter set forth; that is to say,

Firstly, The Bank to consist of one hundred shares, of twenty thousand ficca rupees each, or four hundred quarter shares, of five thousand ficca ruppes each, making a capital of twenty hundred thousand ficca rupees.

Secondly, That the subscription be open to all, without distinction of country or religion.

Thirdly, That for the convenience of every Subscriber, the shares shall be divided into portions of five thousand rupees; but that the owners of these portions shall not be entitled to a vote, unless they hold four of them; yet original Subscribers to a whole share, shall preserve their vote as long as they shall retain two.

Fourthly, That each subscription shall be payable one half in cash, one half in Company's paper. The moiety in cash to be paid on the first instant, and the other moiety deposited on the same day in paper at the discount of the day, to be redeemed on the first day of August next, otherwise to be sold, and the deficiency to be made good by the Subscriber.

Fifthly, That nine Directors, British born subjects, shall be chosen by a majority of the general meeting, and three of these, being the last upon the list, to go out annually, and three others to be in like manner elected in their room. That the Directors shall choose from among themselves a Chairman and Deputy Chairman, and the whole Board shall then nominate and fix the establishment. In case of accidental vacancy, a general meeting to be called to fill up such vacancy.

Sixthly, The Directors, Cashier, Secretary, and Accountant, shall be sworn to a faithful discharge of their trust before any one of the Judges.

Seventhly,

Seventhly, A meeting of the Directors, not less than three, of which the Chairman or Deputy Chairman must be one, shall be holden every Tuesday and Friday throughout the year, for the inspection and management of the accounts and business of the Bank. In all questions, a majority of Directors present to determine; and in case of equality, the Chairman, or Deputy Chairman, to have a casting vote.

Eighthly, That the Subscribers shall be liable to no risk or claim beyond the amount of their subscription.

Ninthly, That every Director must be possessed of one full share of twenty thousand sicca rupees.

Tenthly, That the society subsist for five years, from the first of May, one thousand seven hundred and eighty-six; at the expiration of which time, the Subscribers at the Presidency of Calcutta shall consult what may be most advisable to be done; and the majority to determine whether they think proper to continue or dissolve the society.

Eleventhly, That the general meetings shall be held quarterly, to receive a report from the Directors upon the situation of the affairs of the bank; and half yearly meetings, to determine a dividend upon a balance to be then laid before them; no dividends to be made of a larger amount than two-thirds of the net profits.

Twelfthly, That the Bank may issue their notes as called for; but one-third, at least, of the capital, including its extension by the issue of notes, shall always remain in specie in the Bank.

Thirteenthly, That the notes payable to bearer, be extended from sums, from sixteen to five thousand sicca rupees. That the Bank post bills shall be issued as called for.

Fourteenthly,

Fourteenthly, That the Bank shall be open every day in the week, Sundays and great established festivals excepted; and the hours of public business shall be from nine in the morning till two in the afternoon.

Fifteenthly, That the Bank will discount all Company's paper; also all such private Bills as are approved; private Bills at a rate not exceeding one per cent. per mensem. That no private Bills be discounted but on Tuesdays and Fridays; and whenever the funds in hand shall not be equal to the discount of all the paper that is offered, a preference be given to Subscribers, and after them to those who keep cash at the Bank.

Sixteenthly, That the Bank will open an account with any person or persons who shall chuse to lodge cash with them, and will repay it to their order at sight, in any proportions they may call for it, without any charge, in the usual manner of banking-houses in London; that they will also receive deposits, to be restored on demand, and they will issue their notes for any sums that may be paid in, agreeable to the sums expressed in article Thirteenth.

Sevnteenthly, That the Bank will lend at their discretion upon pledges and mortgages approved, but never for a term exceeding four months; and all charges of conveyancing shall be at the expence of the borrower.

Eighteenthly, That no person shall be allowed to overdraw his account; that a book and checks will be delivered to every person who opens an account with the Bank, this being the same as opening transfer books.

Nineteenthly,

Nineteenthly, That a balance of the cash be struck every night, and the office not to break up till that is done.

Twentiethly. That no alterations be made in the above articles, but by a General Meeting to be called for that purpose, and by a majority of two-thirds at least of the Subscribers present; and that a General Meeting may at any time be called at the requisition of nine Subscribers in writing signed by them.

By the Twenty-first, Twenty-second, and Twenty-third Articles, it is covenanted, concluded, and agreed, that no contract or agreement, either by word, or in writing, for buying or selling of shares in this Bank, shall be valid, nor the holder entitled to a vote, unless it be registered in the books of the Bank. That regulations for the detail of the Bank, particularly the forms of their notes and Bank Post Bills, shall be published as soon as the Bank is established; and that the original deed, which shall be drawn up and signed by the Subscribers, including the above plan, shall be deposited among the records of the Supreme Court of Judicature, and under such other regulations, provisos, conditions, and restrictions, as are hereinafter contained.

And the said several persons, parties hereunto and executing these presents, do hereby, for themselves and their assigns, further mutually covenant, promise, and agree with each other, that each and every of them, shall and will stand to, abide and perform the said several articles and terms agreed on at the said General Meeting, and shall and will subscribe and pay according to the terms of the Fourth Article of the said plan, *into the joint stock or capital of the said society, for every whole or quarter share*, the number of such whole or quarter shares to be mentioned opposite to the name of each Subscriber, which he, she, or they, shall respectively hold and possess in the said society, the sum of twenty thousand

thousand sicca rupees for each whole share, and five thousand sicca rupees for each quarter share, half thereof in ready money, on the first day of May instant, and shall and will deposit Company's paper, at the discount the same shall bear on the said first day of May, for the remaining half thereof, and shall and will redeem such Company's paper on the first day of August next, by paying into the joint stock or capital of the said society, in ready money, the remaining half-part of the said share or portions so subscribed; and in case such paper so deposited shall not be redeemed on the said first day of August next, the Directors of the said General Bank shall and may order the same to be sold at the discount of the day, and whatever deficiency shall arise in making good the full share of such Subscribers not redeeming the said paper, and suffering the same to be sold, shall be paid by such Subscriber into the joint stock or capital of the said General Bank, together with legal interest for such deficiency, before such Subscriber shall be entitled to have or receive any dividend or profit from his share or shares in the said joint stock or capital of the said society.

Provided always, and these presents are upon this express condition, that nothing in these presents, or in the said plan contained, shall extend, or be construed or deemed to make the several persons subscribing and executing these presents, or their estate or estates, goods, chattels, or effects, *liable to pay any loss or losses*, debt or debts, that may happen or fall upon, or be owing by the said society, *further than or beyond the respective share and shares of each Subscriber* to the said joint stock or capital of the said society, *any thing herein contained to the contrary notwithstanding*.

And it is expressly further covenanted, declared, and agreed upon, by and between the several parties executing these presents, in order that the public may be fully informed of the terms on which the said
society

society deal with them, in all the notes issued by the said society, it shall be expressed, that the sum to be payable by such note, shall be paid out of the joint stock of the said society; and such other public notifications of the said terms of the said society, shall be from time to time published in such manner as the Directors shall think proper.

And further, that it shall and may be lawful to and for each and every of the said several persons, parties to these presents, his, her, and their assignees, from time to time, during the said term of five years, to sell, assign, and transfer to any person or persons whomsoever, and their assigns, his, her, or their share or shares, in the said joint stock or capital of the said General Bank, by any writing or writings under the hand and seal of the person or persons selling, assigning, and transferring the same, to be attested by two or more credible witnesses, and entered into a book or books to be kept for that purpose at the said General Bank, within ten days after the sale, assignment, and transfer of such share or shares, shall have been made; *and the assignee or assignees of such share or shares, so assigned, and transferred and sold, shall, either by himself or themselves, or his, or their attorney or agent, lawfully authorised, sign, seal, and execute this present deed, at the bottom thereof, or by any indorsement on the back thereof, and shall opposite to his name mention whose assignee or assignees such person or persons is, or are, and for what share or shares such assignee or assignees, is, or are, become a member of the said society; and such assignee or assignees shall, upon executing these presents, be and become a member of the said society, and be bound by, and shall confirm to, all the covenants and agreements herein contained, and to all orders, regulations, and restrictions of the said General Bank, in as full a manner to all intents and purposes, as if such person or persons so purchasing such share or shares, had been an original Subscriber to the said joint stock or capital in the said General Bank, and had been an original party to these presents.*

F

And

And further, that it shall and may be lawful to and for the Directors of the said General Bank, for the time being, during the said term, to nominate, elect, and choose the Cashier, Secretary, and other officers and clerks, necessary to be employed in and about the business of the said General Bank, with such salaries and wages to be paid out of the said joint stock, or capital, of the said Bank, or the gains or profits thereof, as the said Directors of the said Bank, for the time being, shall think fit; provided that such Cashier and Secretary, so to be elected and chosen, shall respectively be Subscribers to the said joint stock or capital of the said Bank, to the amount of twenty thousand sicca rupees, at the time of the election and nomination of such Cashier and Secretary; such Cashier, Secretary, and other officers and clerks, to be removable at any time during the said term, by a majority of the Directors, or by a majority of the Members of the said Society, who may be present at any General Quarterly Meeting, or which shall or may be specially called for that purpose at any time by the said Directors for the time being, provided that one weeks notice be given of such special meeting.

And further, that the said Directors for the time being, shall have the charge, management, and superintendence of all the monies, securities for money, accounts, and all other business whatsoever respecting the said Society; and shall direct, manage, and controul the same, provided such direction, management, and controul, are not contrary to the said terms and articles, agreed to at the said General Meeting, and herein before set forth.

And further, that the said joint stock or capital of the said Society, and securities for the same, shall be deposited and kept in a general treasure chest, to be provided for the purpose; one key of which said chest shall be kept by the Chairman or Deputy Chairman of the said Society;

Society ; another key by the Cashier of the said General Bank for the time being ; and a third key by the Secretary for the time being ; which general treasure chest shall not be opened but by the orders of the said Directors for the time being ; and that for the daily use of the said General Bank there shall be kept a smaller chest, in which shall be deposited not more than six lacks of rupees in notes and cash ; which said last mentioned chest shall have two keys, one to be kept by the Cashier, the other by the Secretary for the time being ; and also, that the proper and necessary books of receipts, payments, accounts of money, and other transactions of the Bank, be truly, faithfully, and diligently kept by the persons in whose department it shall belong to keep the same ; such books to be always open to the inspection of the Directors for the time being, and to be laid before the Subscribers at large, together with a full, true, and complete statement of their affairs, at every General Meeting of the said Subscribers, to be holden every quarter of a year ; the first quarterly meeting to be on the first of September next ; and so of course on the first of December, first of March, first of June, and first of September in every year.

And further, at the quarterly meetings of the said Subscribers, on the first day of every December, and June, the majority of the Subscribers then present, shall determine whether any, and what dividend shall be made of the profits and gains which may have been made by the said General Bank ; which said dividends, if agreed on, shall be paid and divided to and amongst the several Subscribers to the said joint stock or capital, and their assigns, in proportion to the share and shares of such Subscribers, and their assigns, provided that no such dividends (unless a final, or last dividend) shall exceed two thirds of the net profits made by the said Society, at the time of making and declaring the said dividend.

And it is hereby further covenanted, declared, and agreed, by and between the said parties hereto, and their assigns, that the said Society shall not at any time during the said term, deal, or trade, or permit, or suffer any person or persons whatsoever, either in trust, or for the benefit of the same, to deal or trade with any of the joint stock or capital of the said Bank, in the buying and selling any lands, tenements, or hereditaments whatsoever; or any goods, wares, or merchandize whatsoever; or carry on, or be concerned in the carrying on any commerce in merchandize, either by sea or land, or in maritime insurance; or insurances on houses or lives, save and except a house or houses to carry on the business of the said Bank, if the same shall be thought necessary by the majority of the Subscribers at any General Meeting called by the said Directors, for the purpose of determining whether such house or houses shall be purchased or not; and save and except the dealing in bills of exchange, or in buying or selling any bullion, gold or silver; or in selling any goods, wares, or merchandizes whatsoever, which shall be really or bona fide left and deposited with the said Society, for money lent and advanced thereon, and which shall not be redeemed at the time agreed on; save and except the taking possession of, and selling any messuages, lands, tenements, or hereditaments, which shall have been mortgaged to the said Society for money really lent and advanced on the security of such messuages, lands, tenements, or hereditaments, and which shall not have been redeemed at the time agreed on; this indenture, or any thing herein contained to the contrary notwithstanding.

And it is hereby further agreed by and between the said parties to these presents, for themselves and their respective assigns, that all debts which shall or may be owing to the said society, on account of the said joint stock or capital of the said General Bank, and all losses or damages which shall or may happen to the said joint stock, or to the
gains

gains thereof, by bad debts, or any other accidents, shall be borne, sustained, allowed, and paid at all times, during the said term of five years, by and out of the said joint stock of the said society only, each of the said Subscribers, or his assigns, bearing and paying a proportionable part of such debt, according to the number of his, her, or their share or shares therein.

And further, that six months previous to the determination of the said society, all outstanding debts due, owing, or belonging to the said society, be collected and called in; and that on the first day of May, which will be in the year one thousand seven hundred and ninety-one, shall be made, stated, and adjusted, a true, plain, perfect, and final account, and reckoning in writing, of all monies, debts, profits, gains, and advantages, which shall be then in the possession of, or due, owing, or appertaining to the said society, and also, of, for, or concerning all debts, sums of money, outstanding notes issued by the said Bank and unpaid, losses, charges, and expences, which, by reason of the said joint concern, shall be owing or due to any person or persons, or which the said joint stock shall have sustained for or on account thereof, so as that it shall and may thereby appear, what the true state of the said society shall then be, together with the sums severally due to the several holders, and possessors of any share or shares, according to the true intent and meaning of these presents; and immediately thereupon, or as soon after as conveniently may be, true payment and satisfaction shall be made of all such debts outstanding, notes issued by the said General Bank, and unpaid, or a sum of money out of the said joint stock, or capital of the said General Bank retained in the hands of such person and persons, and in such manner as may be thought advisable, at any general meeting of the said society called specially for that purpose, by a majority of the members, then present, to satisfy and discharge the notes issued by the said General Bank, then outstanding, and for which payment

ment has not been demanded, and which can be ascertained from the books and accounts of the said General Bank, and then also a division, payment, and delivery, shall be made by and between all the then members of the said society, their respective executors, administrators, and assigns, as well as the said joint stock or capital of the said General Bank, as of all debts due and owing thereto, then collected, together with all the gains and profits which may have accrued to the said joint stock or capital, since the settlement of the said dividend and dividends, preceding such final settlement, according to, and in proportion to the number of shares the said members of the said society shall then severally hold and possess in the said joint stock or capital of the said General Bank ; and in case there shall then still remain any outstanding debts, due and owing to the said society, whether on mortgage, bonds, or otherwise, that proper care and diligence be had and taken for the recovery thereof, for the benefit of the said members of the said society, their executors, administrators, and assigns, and that the same, when collected, be in like manner proportionably divided between the said several members of the said society, their executors, administrators, and assigns.

And further, that no member of the said society shall, during the continuance of the said society, do, or cause, or willingly, or wittingly suffer to be done, any act, or thing, whereby the said joint stock or capital, and the monies, or effects, which shall or may be due or belonging to the said society, shall, or may be prejudiced, lessened, seized, attached, extended, or taken in execution, or be in any wise charged, or incumbered with, or for any private or particular debt, or duty, which shall not concern the said society, but that every such particular debt or duty, shall from time to time be paid and discharged by the party or parties who shall owe the same, out of and from his, her, and their own particular estate, not included in the said society. And that

that nothing in these presents contained shall be construed, or deemed to make the several persons subscribing, and executing the same co-partners in any other, or further degree, than for the benefit of the said society hereby established, and the true intent and meaning of these presents.

And further, that nothing herein contained, shall be construed to extend to give a benefit of survivorship to any of the members of the said society, who shall happen to survive the other, but the share and shares of the said joint stock, or capital, shall be deemed the separate personal property of any member of the said society, who shall happen to die during the said term of five years, and shall go to, and become the property of the executors or administrators of such deceased member or members.

And it is hereby further covenanted, concluded, and agreed upon, by and between the said parties to and executing these presents, that if any share or shares of any of the said parties hereto shall by any process of law be sequestered, attached, or seized in execution, or otherwise, in any action or suit, either in law or in equity, for any sum or sums of money due and owing from the person so possessing such share or shares, or on any other account whatsoever, it shall and may be lawful, and the said Directors of the said General Bank are hereby empowered, immediately on notice of such process, to sell by public auction such share or shares, in the said capital stock of the said Bank, in the name or names of the defendant or defendants against whom such process at law or in equity shall have issued; or if the said Directors shall not be able by public auction, by default of bidders, to sell such share or shares, then the said Directors are hereby empowered to pay such a sum of money to satisfy such process at law, as the said share or shares may at the time of the issuing such process be
by

by the said Directors deemed worth ; and the said share or shares shall, from the time of the payment of the sum of money last mentioned, cease to be the property of the defendant or defendants against whom such process has been issued, and shall become the property of the proprietors of the said General Bank, to be held or disposed of by them as the said Directors shall think proper.

And it is hereby further covenanted, declared, and agreed upon, by and between the several parties executing these presents, that proper books of the transactions of the said society of the General Bank, shall be kept by the Secretary for the time being, wherein all letters received by or written to the said Directors, Secretaries, or officers of the said General Bank, respecting the affairs and concerns thereof, shall be entered, and also that the necessary book and books shall be kept by the said Secretary for entering the consultations of the said Directors, respecting the same, from their original minutes and proceedings ; and that for the more speedy and effectual recovering any outstanding debt or debts, which shall or may be owing to the said society, all mortgages of lands, tenements, and hereditaments, and all securities for money to be lent out of the said joint stock of the said society, shall be made and taken in the name of the Secretary of the said society for the time being, and his successors ; and that in all such mortgages and securities for money, it be expressly declared, that the name of the Secretary is used on account of, and in trust for, the said society, and that the money advanced on such mortgages and securities for money is part of the joint stock of the said society. And the said several persons, members of the said society, executing these presents, who shall at any time during the existence thereof, ^{act} in the public capacity of Directors Cashier, Secretary, or other office of trust or confidence, do hereby severally, and not jointly, and for their several and respective heirs, executors, administrators and assigns, covenant, promise, and agree to and with the several and respective

spective persons parties hereunto, and their respective executors and administrators, that they will severally execute the duties and trusts reposed in them with fidelity and honour, and will diligently apply himself and themselves in and about the business, transactions, and management of the said society, for the general benefit and advantage of the members of the said society, and not for his and their own particular emolument and gain ; and that each and every of them will be answerable for his own acts and deeds to the members of the said society, and for all losses that may happen to the said society, or to the joint stock, or capital thereof, through their wilful default or negligence, provided that no such Director, Cashier, Secretary, or other officer, shall be answerable for the acts, deeds, or other losses of another Director, Cashier, Secretary, or other officer, or for such acts, deeds, or losses of their own as may happen through misfortune or chance.

And further, it is hereby declared and agreed, that the said society of the said General Bank, shall and may, as soon as fifty shares of twenty thousand sicca rupees each, or so many quarter shares as shall make up fifty full shares of twenty thousand sicca rupees each shall be subscribed, declare the said society established, under the name and firm of the General Bank of India, and shall and may immediately commence the business thereof, according to the true intent and meaning of these presents ; and the said society shall be open to accept and receive further subscriptions, till the full capital of twenty hundred thousand sicca rupees shall be subscribed.

And it is hereby further declared and agreed, that it shall and may be lawful at all or any time or times during the existence of the said society, at any general meeting of the said Subscribers, to be duly called by consent of the majority of the said Subscribers then present, to alter, change, annul, and revoke any of the clauses, articles, and agree-

G

ments

ments herein contained; the clause, article, and agreement concerning the responsibility of the Subscribers ever excepted; and to add such other and others as shall be deemed necessary for the better carrying on, or managing the affairs and concerns of the said society, provided that no such alteration, change, annulling, revocation, or addition shall take place, unless two-thirds of the holders and possessors of a share or shares, amounting to the sum of twenty thousand, or original Subscribers of twenty thousand holding ten thousand sicca rupees, resident at Calcutta, shall be present at such general meeting; and unless a week's notice be given of such intended meeting, and the purpose of the same be declared in the notice for calling the said meeting, this indenture or any thing herein contained to the contrary notwithstanding.

And further, all and every the said parties to these presents do hereby mutually covenant, promise, and agree with each other, and each of them for himself severally, and for his several heirs, executors, and administrators, do, and each of them doth covenant, promise, and agree to and with the others, his and their respective executors and administrators, well and truly to observe, perform, and keep the covenants, clauses, conditions, and agreements, in these presents expressed and contained, according to the true intent and meaning thereof. And each of them doth hereby bind himself, his heirs, executors, administrators, and assigns, in the sum of forty thousand sicca rupees for every whole share, and in proportion for more or less, to the true, faithful, and due performance of all and every the covenants, clauses, articles, and agreements herein contained, and which by them respectively are or ought to be observed, performed, and kept as aforesaid. And the said parties to these presents do covenant, promise, and agree severally to submit themselves, and each of them; and all and every dispute and difference that shall or may happen or arise for, or in any wise concerning these presents,

presents, or the matters herein contained, to the jurisdiction, judgment, and decision of the Supreme Court of Judicature, at Fort William in Bengal.

And lastly, that in case at any future meeting to be specially called of the said society, it shall be agreed on by a majority of the members of the said society then present to apply to Parliament for an act to extend the term of the existence of the said General Bank, and for such other purposes as may be deemed necessary, according to the intention and meaning of the said general plan hereinbefore set forth, the expence attending such application, and procuring such act of Parliament, shall be borne or paid out of the joint stock or capital of the said society; provided always, and it is hereby agreed, that if no such act shall be obtained before the end of the said term of five years, the said society shall, at the expiration thereof, stand absolutely; dissolved any thing herein contained to the contrary notwithstanding.

In witness whereof the said parties to these presents have hereunto interchangeably set their hands and seals, the day and year first above written.

(B.)

To the Right Honourable EARL CORNWALLIS,
Governor General, &c. &c. &c.

MY LORD,

I HAVE the honour to lay before you some propositions which I have been empowered to make by the Chairman and Directors of the General Bank of India.

They are formed upon principles of mutual advantage to your Government and the Bank ; and in the hopes of giving fresh force, with durability, to the general credit in this country.

Should they fortunately meet your concurrence, it is hoped you will propose them for the sanction of the Honourable Board at large.

At the same time I beg leave to enclose a copy of the deed, which the Proprietors of the General Bank are bound by ; it will shew the capital and basis of their institution ; it will point out the rules and restrictions of their establishment ; and will not fail to impress a conviction, that their union was founded upon principles of public benefit, at a time when the state of credit was very low, which was but too well proved by the high rate of discount then prevailing. These principles not only guided their formation, but were strictly observed in their progress and conduct ; for instead of availing themselves of the immense profits they might have gained by employing their great resources

resources in the purchase of paper at the discount of the day, they abstained from such advantage, and limited themselves to assisting the public with their funds at the rate of legal interest only. Their success, in affecting the relief they aimed at, is proved by the discount of the present day. I therefore feel a confidence in soliciting your Lordship to support an establishment so founded, and so conducted.

With the most unfeigned wishes for the prosperity of your Lordship's administration,

I have the honour to subscribe myself, with the greatest respect,

Your Lordship's

Most obedient

Humble servant,

(Signed)

RICHARD JOHNSON.

Chairman, G. B. of India.

*General Bank,
the 23d December, 1786.*

(C.) PROPO-

(C.)

PROPOSITIONS to the Right Honourable Governor General and Council, from the Chairman and Directors of the General Bank of India.

PROPOSITION I. **T**HAT the General Bank, from the first of January 1787, be made the channel for paying off the certificate debt, in the same manner that the Bengal Bank was lately made the channel for paying off the drafts for the Madras Military Arrears.

The Government paying weekly into the General Bank their surplus receipts, now estimated and made appropriable to the discharge of certificates ; provided that the Company be put to no expence for the management of the business, and the Bank engaging to render weekly accounts of the payments made, accompanied by vouchers for the sums stated to have been discharged by them.

PROP. II. That the General Bank engage to lend, or advance to Government, twenty lacks of current rupees as follows:

Two

Two lacks of current rupees every week*, beginning with the first Monday in March next, continuing for ten weeks, until the total sum be accomplished. The Government to grant their promissory note at 8 per cent. for each two lacks, payable in three months, with the collateral security of a certificate†, in the usual form, bearing its place and number in the General Register.

* This may be taken monthly, at the option of Government.

† Which, when received by the Bank, shall be carried, together with the interest due thereon, to the Company's credit.

‡ To leave twenty lacks in the hands of Government, a fresh loan must commence before the repayment begin, or four, instead of two lacks, must be advanced the last week of the ten.

‡ Upon the repayment of the first two lacks, a fresh loan, similar to that first completed, to be again made by the General Bank; and this mode repeated until the certificates lodged as collateral security, may come in course of payment.

PROP. III. That the Government allow the General Bank a credit of ten lacks of sicca rupees, upon the General Treasury, provided a balance shall exist in the General Treasury, equal to the sum claimed by the Bank within ten lacks; and should the balance in the General Treasury be at any time inadequate to the sum wanted by the General Bank, then the Government will stop the appropriation of any funds immediately, or next in course of receipt, excepting

cepting for any disbursement absolutely unavoidable, until the sum applied for by the General Bank be made good. The General Bank always lodging security adequate to the sum taken up, and paying interest at the rate of 8 per cent. per annum.

PROP. IV. That the notes of the General Bank be declared receivable at all the offices of Government at the Presidency, provided that the General Bank be restricted from issuing any amount of notes beyond the extent prescribed by the twelfth Article of the Bank agreement.

PROP. V. That the Accountant General, or any officer appointed by Government, shall have access, whenever desired, to the account books of the General Bank; such officers being bound by oath to secrecy in every respect, excepting information to Government.

(Signed) RICHARD JOHNSON.

Chairman, G. B. of I.

22d December, 1786.

Exd. C. R.

COPY

(49)

(D.)

COPY of a general Order from Mr. Secretary BRUERE.

MR. _____

SIR,

I AM directed by the Right Honourable the Governor General, in Council, to inform you, that it has been resolved that the notes of the General Bank of India shall be taken in payment of any sums which may be tendered to any of the officers of Government at the Presidency, and issued in discharge of any payments to be made by them.

I am,

SIR,

Public Department,

Council Chamber,

the 10th January, 1787.

Your most obedient

Humble servant,

W. BRUERE, Sec.

H

(E.) To

(E.)

To the Right Honourable EARL CORNWALLIS,
Governor General, in Council.

MY LORD,

IN consequence of your Lordship's condescension in submitting the propositions of the General Bank to our perusal and consideration, we take the liberty of observing, that these propositions must have a very material effect upon the general credit and circulation of this city—that the public, and every commercial house, is interested in the consequences of it—and, that it rests with your Lordship's wisdom to determine how far the sentiments of men of the greatest experience, may coincide in the advantages or disadvantages, which will result from this plan to the community at large. With respect to ourselves, as a Bank, we are under the necessity of observing, that we must suffer an extraordinary degree of injury, should the propositions receive your Lordship's sanction, and the superiority, aimed at, be established by your exclusively authorizing the receipt of the notes of the General Bank at all the public offices in this city.

If your Lordship should be inclined to have our reasons more at large, we shall be happy to have an audience for that purpose. We are with greatest respect,

My Lord,

Your Lordship's most obedient,

And most humble servants,

Calcutta,
11th January, 1787.

(Signed)

Proprietors of the Bengal Bank.

(F.) To

(51)

(F.)

Calcutta, January 12th, 1787.

To Messrs. RIDER, HENCHMAN, MURE, and MEE.

GENTLEMEN,

I HAVE received your letter, dated yesterday, and shall not fail to lay it before the Board at its first meeting in the public department, which will not happen before Wednesday next.

In the mean time, I think it right to say, that I can see little probability of the Board's being induced to rescind a resolution, made after mature deliberation, and so recently passed as that concerning the connection between Government and the General Bank.

I can, however, assure you, that the propositions for forming that connection, were discussed upon the most general principles: and although I shall be sorry if the interest of any individuals shall suffer by the decision, I trust that we shall have the satisfaction of seeing considerable advantages arise from it, to the commercial community at large.

I am, Gentlemen,

Your most obedient,

And most humble servant,

CORNWALLIS.

(G.)

PARTICULARS and Total of Money received by the Bengal Bank from the Treafury, for the payment of Madras and Bombay Military Arrear Bills, from the first of April, to the first of October, 1787.

1787.		General Bank Notes. Sicca Rupees.		Received in Gold Mohurs.		Amount of the Gold Mohurs in Sicca Rupees.		Received in Silver Sicca Rupees.		Total amount receiv- ed Curr. Rupees.	
March	1	560300		2		32		12		650000	
April	11	5000		544		8704		1		16000	
May	10	11200						6		13000	
June	14			320		5120				6000	
	30	52916						15		61400	
July	3	103080						11		119586	2
	16	8050		248		3968		10		14000	
	20			2223		35576		270		42000	
	27	7100		14		224		1		8500	
Aug.	10	31000		28 $\frac{1}{2}$		456		4		36500	
	18	17240						1		20000	
Sept.	8	15900		3		48				18500	
		811786				54128		331		1005486	2

(H.) AND

(H.)

AND whereas it is notorious, that several *undertakings, or projects of different kinds*, have, at some time or times since the four and twentieth day of June, one thousand seven hundred and eighteen, been publicly contrived and practised, or attempted to be practised, within the city of London, and other parts of this kingdom, as also in Ireland, *and other his Majesty's dominions*, which manifestly tend to the common grievance, prejudice, and inconvenience of great numbers of your Majesty's subjects in their trade or commerce, and other their affairs; and the persons who contrive or attempt such dangerous and mischievous undertakings or projects, under false pretences of public good, do presume, according to their own devices and schemes, to open books for public subscriptions, and draw in many unwary persons to subscribe therein towards raising great sums of money, whereupon the Subscribers, or claimants under them do, pay small proportions thereof, and such proportions in the whole do amount to very large sums; which dangerous and mischievous undertakings or projects do relate to several fisheries, *and other affairs*, wherein the trade, commerce, and welfare of your Majesty's subjects, or great numbers of them, are concerned or interested: and whereas, in many cases, the said Undertakers or Subscribers have, since the said four and twentieth day of June, one thousand seven hundred and eighteen, presumed to act as if they were corporate bodies, and have *pretended to make their shares in stocks transferable or assignable, without any legal authority, either by act of Parliament, or by any charter from the Crown for so doing*; and in some cases the Undertakers or Subscribers, since the said four and twentieth day of June, one thousand seven hundred and eighteen, have acted, or pretended to act under some charter or charters formerly granted by the Crown for some particular or special purposes therein expressed, but have used, or endeavoured

endeavoured to use the same charters for raising joint stocks, and for making transfers or assignments, or pretended transfers or assignments for their own private lucre, which were never intended or designed by the same charters respectively ; and in some cases the Undertakers or Subscribers, since the said four and twentieth day of June, one thousand seven hundred and eighteen, have acted under some obsolete charter or charters, although the same became void or voidable by nonuser or abuser, or for want of making lawful elections, which were necessary for the continuance thereof ; and many other unwarrantable practices (too many to enumerate) *have been, and daily are, and may hereafter be contrived, set on foot, or proceeded upon, to the ruin and destruction of many of your Majesty's good subjects,* if a timely remedy be not provided : and whereas it is become absolutely necessary, that all public undertakings and attempts, tending to the common grievance, prejudice, and inconvenience of your Majesty's subjects in general, or great numbers of them, in their trade, commerce, or other lawful affairs, be effectually suppressed and restrained for the future, by suitable and adequate punishments for that purpose to be ascertained and established : now, for suppressing such mischievous and dangerous undertakings and attempts, and preventing the like for the future, may it please your most excellent Majesty, at the humble suit of the said Lords spiritual and temporal, and Commons, in this Parliament assembled, that it may be enacted ; and be it enacted by the authority of this present Parliament, that from and after the four and twentieth day of June, one thousand seven hundred and twenty, all and every the undertakings and attempts, described as aforesaid, and all other public undertakings and attempts, tending to the common grievance, prejudice, and inconvenience of his Majesty's subjects, or great numbers of them, in their trade, commerce, and other lawful affairs, and all public subscriptions, receipts, payments, assignments, transfers, pretended assignments and transfers, and all other matters and things whatsoever, for furthering, countenancing,

ing, or proceeding in any such undertaking or attempt, and more particularly the acting, or presuming to act as a corporate body or bodies, the raising or pretending to raise transferable stock or stocks, the transferring or pretending to transfer or assign any share or shares in such stock or stocks, *without legal authority, either by act of Parliament, or by any charter from the Crown*, to warrant such acting as a body corporate, or to raise such transferable stock or stocks, or to transfer shares therein, and all acting or pretending to act under any charter, formerly granted from the Crown, for particular or special purposes therein expressed, by persons who do, or shall use or endeavour to use the same charters, for raising a capital stock, or for making transfers or assignments, or pretended transfers or assignments of such stock, not intended or designed by such charter to be raised or transferred ; and all acting or pretending to act under any obsolete charter, become void or voidable by nonuser or abuser, or for want of making lawful elections, which necessary to continue the corporation thereby intended, shall (as to all or any such acts, matters, and things as shall be acted, done, attempted, endeavoured, or proceeded upon, after the said four and twentieth day of June, one thousand seven hundred and twenty) be for ever deemed illegal and void, and shall not be practised, or in any wise put in execution.

(I.) (K.) FROM

(I.)

(K.)

FROM THE CALCUTTA
GAZETTE.

OIPNIONS GIVEN IN CALCUTTA.

*I*T having been suggested, that doubts had arisen in the minds of some individuals, whether their fortunes might not become involved beyond the sum subscribed to the General Bank, the first law opinions this country affords were judged necessary to be referred to; and we have now the satisfaction to lay before the public the following able sentiments in favour of the idea, that if due notice be given, the stock alone is liable; which cannot fail to remove every remaining suspense upon the question.

C A S E.

A Bank, with transferable shares, is established by subscription. The capital subscribed, and articles of institution, are published in the Gazette. Among the articles there is

OPINIONS GIVEN IN LONDON.

C A S E.

A Bank, with transferable shares, is established by subscription at Bengal, under the accompanying articles. The capital subscribed, and the articles of institution, are published

is one, " That the Subscribers shall not be liable to any risk or claim beyond the share prescribed." lished in the Bengal Gazette.— Among the articles there is one, (see the Eighth,)

The articles are hung up in a conspicuous part of the Bank, and registered in the proper office.—

—Query—*On bankruptcy, will the original Subscribers, or Share-holders, be bound beyond their shares?*

" That the Subscribers shall be liable to no risk or claim beyond the amount of their subscription."

In my opinion the original Subscribers, or subsequent Share-holders, cannot be bound beyond the amount of their respective shares. When full notice is given at the commencement of any legal association, I consider the public, on all future occasions, as bound and restrained by the notice. Here is a fair and open offer to the public, on terms explicit and notorious.

The articles are hung up in a conspicuous part of the public Bank-room, and are enrolled in the proper office, where deeds of the like nature are enrolled at Calcutta.

Your opinion is desired ;

First, Whether such an institution at Calcutta is lawful ; if not, what pains or penalties are the parties liable to ?

The public must, therefore, be presumed to know on what funds they give their credit. They may accept or decline the offer of dealing with the Bank ; but if they accept, they

Secondly, Whether, in case of insolvency, will the original Subscribers or Share-holders, and which of them, be liable beyond the amount of their subscriptions

I

or

they can accept only on the terms offered. They cannot afterwards have recourse to other funds, or other securities.

(Signed) W. DUNKIN.

March 13, 1786.

Although, in general, every co-partner is liable for the whole of the partnership debts, yet if, on the opening the proposed Bank, the Subscribers to it shall publicly disclaim being answerable for any thing beyond their respective shares, subscribed and deposited, and shall publicly and expressly stipulate with all persons dealing with the Bank, that in every transaction with it they are to trust solely to the credit of the joint stock subscribed, I am of opinion, that the Subscribers will not be responsible to the creditors of the Bank beyond their respective shares.

or shares, either to the creditors of the Bank for money paid in, or the casual holders of the notes?

The first question depends upon the extent and operation of the statute 6. George I. c. 18. If that statute is in force in Bengal, this institution is unlawful, and is a public nuisance; and the authors of it are liable to be punished by indictment, as for a public nuisance; and I am inclined to think that the statute 6. George I. is in force in Bengal.

I am of opinion, that all the Subscribers and Share-holders will be liable for all debts contracted on notes issued while they were so Subscribers or Share-holders; but not for debts contracted or notes issued after these shares have been transferred to others; because, after the transfers of these shares, those to whom they have been transferred will, as I am inclined to think,

It

be

It would be infinitely troublesome, and indeed almost incompatible with the dispatch of the extensive business which a General Bank may be expected to carry on, that this condition should be repeatedly expressed to every individual dealing with it; but if, in the public notification of the original institution, by advertisements in the Gazette, and bills, in several languages, posted up in the most conspicuous places in Calcutta, and circulated to the different parts of India, notice is given to all persons, that in dealing with the Bank, they are to trust solely to the credit of the joint stock subscribed, and not to that of the Subscribers, I think that such notifications so given, with a like notification affixed in the office of the Bank, and from time to time publicly repeated, would bar all persons who may reasonably be presumed to be apprized of such notifications, from claiming from the Subscribers, in case of a failure of

be considered as forming a new partnership, and as the only persons liable for the debts contracted or notes issued after such transfers have been made. If such an institution is considered as necessary or beneficial, it is incumbent on the persons who wish to support it, to obtain the sanction of an Act of Parliament for it.

J. MANSFIELD.

Temple,

May 10, 1788.

If the Act of the 6th George I. extends to India, which I incline to think it does, it seems to me that this Bank is an illegal institution, and punishable according to that Act.

I think a Bank legally instituted, and *taking care that the demands upon it should never exceed its joint stock*, might restrain the demands of creditors to its joint stock, and the

of the Bank, any thing beyond their respective shares subscribed to the joint stock.

With respect to the bills which the Bank may issue, and which will probably form a very extensive part of its business and profits, it may be an useful precaution to insert in the body of each bill issued, the following words—"to be paid out of the joint stock of the said Bank."

But as it may happen, in the extensive dealing of the said Bank, that it may contract debts with persons so situated, as that they cannot be presumed to be acquainted with the terms of its institution, and as it would also effectually remove all doubts which may be entertained, or may arise respecting the effect or extent of such notifications, as are above proposed, I think it may deserve the consideration of the Subscribers, whether it will not be advisable for them to apply,

the amount of the shares of the respective partners therein; provided it should be shewn, that the creditors, *at the time they became such*, had clear and distinct notice, that they were to have no other remedy than a remedy against the stock, and each partner to the amount of his subscription. To every creditor, who cannot be proved to have such clear and distinct notice, I think, in this Bank, *supposing it to exist legally*, the original partners are liable to the full amount of such creditors' demands, who become creditors whilst they were partners, and that the present partners are liable to the full amount of all demands of creditors, not having such notice, who have acquired demands upon the Bank since they became partners; and it would be extremely difficult to fix creditors with this degree of notice. If this Bank is an illegal institution, creditors not knowing that it is such, and not having such notice that their demands are to be restrained, will have

apply, as early as possible, to the Crown for a charter of incorporation, and to Parliament for a bill, by which they may be exonerated from all responsibility for the debts of the Bank, beyond their respective subscriptions, in every possible case whatsoever.

(Signed) T. H. DAVIES.

have the like remedies: but the question, what remedies creditors, knowing that the body they deal with is illegal at the time they deal with it, and either knowing or not knowing that their demands are to be so restrained, will have, appears to me to be a question of difficulty, and to require more consideration, to answer it satisfactorily, than it has been in my power to give to it in the short time this case has been before me.

JOHN SCOTT.

Lincoln's Inn,
June 30, 1788.

Note.—Both Mr. Mansfield, and the Solicitor General, Sir John Scott, are inclined to think the Bank an illegal institution. Mr. Mansfield is also decidedly of opinion that the Subscribers are liable to all claims upon the Bank, be the amount what it may, whilst they continue to hold their shares; and Sir John Scott does not seem to admit *that all persons who may reasonably be presumed to be apprized of the notification, would be barred from claiming from the Subscribers, in case of the failure of the Bank, any thing beyond their respective shares subscribed to the joint stock, but says, to every creditor who cannot BE PROVED to have such clear and distinct notice, SUPPOSING IT TO EXIST LEGALLY, the original partners are liable to the full amount of such creditors' demands, &c. &c.*

